

# EDITORIALS

From the Chairman

## WE ALL HAVE MUCH IN COMMON

**IN THIS MY** last editorial, I would like to share some personal thoughts and experiences from my year as Chairman. The year started for me with addressing the diversity of our industry and our Association—companies small and large, land and offshore, not to mention the wide variety of cultures, countries, climates, and terrain in which our members operate. I end my year being much more aware of all that we in the drilling industry share in common.



John R. Irwin, Chairman

My involvement with IADC this past year has emphasized for me perhaps what is already known, that the drilling industry still exhibits a great sense of community and shared interests. Many of the people in our business have lived and traveled widely, and even today, one can attend a conference anywhere in the world and quickly establish a rapport and sense of belonging. We share

a common oilfield language in many ways along with a desire for safe operations, a willingness to tackle challenges of all kinds and a desire to improve, achieve breakthroughs in performance and develop new technologies. And more often than not when we meet people in the business, even for the first time, it does not take long to find that we have mutual colleagues, or that we share similar experiences and have similar challenges.

As I finish my year, these experiences have reinforced for me the importance of all working together to keep IADC as the single association voice for the entire international drilling industry. And I hope we can continue to retain and convey the great sense of pride and community that will be important in attracting the next generation of people to our industry.

Attracting, developing, and most importantly, retaining new people—a new generation—to our industry is a topic we hear much about these days. The next step for all of us is effectively addressing this issue in the future. Being part of this industry has been rewarding and exciting for me. I hope there is a younger crop of people who will find that same satisfaction.

I have been fortunate to serve the IADC and the industry, and to work with many industry-minded leaders like **Tom Richards**, IADC Chairman-elect for 2001. Tom is just one key example of leaders throughout IADC—serving our chapters, committees, and in other ways—who are willing

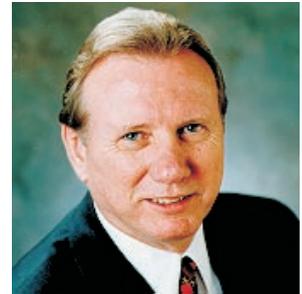
to give generously of their time. Thank you all for your support and contributions—and for a memorable year.

From the President

## CONTRACTS: HANDSHAKES TO HEADLOCKS

**UNTIL THE MIDDLE** of the 20th Century, drilling deals were commonly done on a handshake. Between 1935 and 1940, one contractor in Oklahoma drilled 150 wells for one operator with only verbal instructions. However, in 1940 a darkening horizon portended change. Cumulus thunderheads of legal experts rose to towering heights: Lawyers were writing drilling contracts!!

The “old way” of doing business changed forever. Early leadership in IADC wrote a “standard drilling contract” for operator and contractor, which evolved into the IADC Model Contract widely used today throughout the industry.



Lee Hunt, President

Yet, this venerable form, which has guided many drilling deals succinctly, plainly and fairly, is losing ground. New philosophies of risk allocation flow from legal penmanship, offering “deals” that more closely resemble risk dumping. It is not uncommon for drilling contractors to be offered contracts that require posting bid bonds, pledging to hold their rig off the market for as long as 180 days while legal bureaucrats dither and dicker over details. And, if you throw up your hands and take another offer, you lose your bid bond: a quarter of a million dollars loss for the headache of bidding for a one well, 30 day cancellation contract! Oh, wait, some contracts feature a clause that allows an indefinite number of “suspensions” during the course of drilling the well: up to 60 days at a time, drilling can be suspended with no interim standby day rate for the contractor!

In 1940, **J E Brantly**, the first President of the newly formed American Association of Oilwell Drilling Contractors (later to become IADC), said this to his fellow contractors during his inaugural address: “*There is probably no industry ... in which the mortality rate is so high as in contract drilling.... We have followed every principle of business that leads to disaster.*”

Let us hope that in the 60 years since Mr Brantly so bluntly spoke to his colleagues that we have learned a few lessons. It is time that as drilling contractors we follow only those principles of business that lead to success. ■